

CITY OF POMONA, KANSAS

FINANCIAL STATEMENTS

Year Ended December 31, 2011

CITY OF POMONA, KANSAS
FINANCIAL STATEMENTS
Year ending December 31, 2011

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MIZE HOUSER
COMPANY P.A.

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Mayor and City Council
City of Pomona, Kansas

We have audited the accompanying financial statements of the City of Pomona, Kansas, as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the "Kansas Municipal Audit Guide." Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal controls over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the City of Pomona, Kansas prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, because of the City's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Pomona, Kansas, as of December 31, 2011, or the respective changes in financial position and where applicable, cash flows thereof for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash and unencumbered cash balances of the City of Pomona, Kansas, as of December 31, 2011, and its cash receipts and expenditures by fund, and fund budget to actual comparisons, for the year then ended, taken as a whole, on the basis of accounting described in Note 1.

October 2, 2012

www.mizehouser.com ■ mhco@mizehouser.com

534 S Kansas Ave, Suite 700 ■ Topeka, KS 66603-3465 ■ 785.233.0536 p ■ 785.233.1078 f
534 S Kansas Ave, Suite 400 ■ Topeka, KS 66603-3454 ■ 785.234.5573 p ■ 785.234.1037 f
7101 College Blvd, Suite 900 ■ Overland Park, KS 66210-1984 ■ 913.451.1882 p ■ 913.451.2211 f
120 E Ninth ■ Lawrence, KS 66044-2682 ■ 785.842.8844 p ■ 785.842.9049 f
900 Massachusetts, Suite 301 ■ Lawrence, KS 66044-2868 ■ 785.749.5050 p ■ 785.749.5051 f

CITY OF POMONA, KANSAS

SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
For the Year Ended December 31, 2011

<u>Funds</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Prior Year Adjustment</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add: Outstanding Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
General Fund	\$ 51,351	\$ -	\$ 229,247	\$ 220,493	\$ 60,105	35	\$ 60,140
Special Revenue Funds:							
Employee Benefits Fund	-	-	49,388	49,388	-	-	-
Fire Protection Fund	10,233	-	19,849	23,342	6,740	-	6,740
Pomona Community Library Fund	429	-	11,867	11,406	890	-	890
Special Highway Fund	73,171	-	23,317	36,333	60,155	-	60,155
Special Parks and Recreation Fund	11,998	-	1,064	12,628	436	-	436
Capital Improvements Fund	355,370	-	52,531	10,842	397,059	-	397,059
Community Building Fund	8,531	-	7,024	6,994	8,561	-	8,561
Sales Tax - Street Project Fund	130,996	-	35,286	76,584	89,698	-	89,698
Enterprise Funds:							
Electric Utility Fund	412,918	-	883,529	805,511	470,938	47,370	518,306
Water Utility Fund	34,762	-	185,330	173,002	47,000	235	47,325
Sewer Utility Fund	35,472	-	43,923	52,777	26,618	330	26,948
Sewer Reserve Fund	85,572	-	58,820	50,404	93,988	-	93,988
Water Construction Reserve Fund	62,419	-	49,164	48,000	63,583	-	63,583
Electric Savings Reserve Fund	36,685	-	791	-	37,476	-	37,476
Water Savings Reserve Fund	47,374	-	71	-	47,445	-	47,445
Sewer Savings Reserve Fund	24,902	-	37	-	24,939	-	24,939
Total Reporting Entity	\$ 1,382,183	\$ -	\$ 1,631,236	\$ 1,577,700	\$ 1,435,719	\$ 47,970	\$ 1,483,689

Composition of Cash:

Garnett State Savings Bank	
Checking	\$ 1,421,378
Money Market	62,418
Total Cash	1,483,796
Less: Agency Funds per Statement 4	(107)
Total Reporting Entity (excluding Agency Funds)	\$ 1,483,689

STATEMENT 2

CITY OF POMONA, KANSAS

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2011

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Positive [Negative]</u>
General Fund	\$ 293,925	\$ -	\$ 293,925	\$ 220,493	\$ 73,432
Special Revenue Funds:					
Employee Benefits Fund	50,800	-	50,800	49,386	1,414
Fire Protection Fund	23,700	-	23,700	23,342	358
Pomona Community Library Fund	12,600	-	12,600	11,406	1,194
Special Highway Fund	46,238	-	46,238	36,333	9,905
Special Parks and Recreation Fund	13,925	-	13,925	12,626	1,299
Community Building Fund	19,735	-	19,735	6,994	12,741
Enterprise Funds:					
Electric Utility Fund	1,285,100	-	1,285,100	805,511	479,589
Water Utility Fund	217,000	-	217,000	173,002	43,998
Sewer Utility Fund	85,700	-	85,700	52,777	32,923
Sewer Reserve Fund	174,611	-	174,611	50,404	124,207
Water Construction Reserve Fund	118,900	-	118,900	48,000	70,900

The notes to the financial statements are an integral part of this statement.

CITY OF POMONA, KANSAS

GENERAL FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Positive [Negative]
Cash Receipts			
Taxes	\$ 165,766	\$ 191,636	\$ [25,870]
Licenses and permits	4,191	5,900	[1,709]
Fines and fees	55,811	59,500	[3,689]
Use of money and property	2,766	4,500	[1,734]
Miscellaneous	713	500	213
Total Cash Receipts	<u>229,247</u>	<u>\$ 262,036</u>	<u>\$ [32,789]</u>
Expenditures and Transfers Subject to Budget			
General administration	55,463	\$ 67,125	\$ 11,662
Highways and streets	23,982	62,000	38,018
Public safety	59,390	65,800	6,410
Zoning and building	6,977	18,000	11,023
Parks and cemetery	16,267	16,600	333
Refuse	44,814	45,000	186
Community building	5,279	13,100	7,821
Library	4,000	4,000	-
Debt service	1,735	2,100	365
Miscellaneous	2,586	200	[2,386]
Total Expenditures and Transfers Subject to Budget	<u>220,493</u>	<u>\$ 293,925</u>	<u>\$ 73,432</u>
Receipts Over [Under] Expenditures	8,754		
Unencumbered Cash, Beginning	<u>51,351</u>		
Unencumbered Cash, Ending	<u>\$ 60,105</u>		

The notes to the financial statements are an integral part of this statement

CITY OF POMONA, KANSAS

EMPLOYEE BENEFITS FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Positive [Negative]
Cash Receipts			
Taxes	\$ 49,386	\$ 50,103	\$ 717
Total Cash Receipts	<u>49,386</u>	<u>\$ 50,103</u>	<u>\$ 717</u>
Expenditures and Transfers Subject to Budget			
Health insurance	21,927	\$ 22,000	\$ 73
Payroll taxes	16,315	17,800	1,485
Retirement	11,144	11,000	[144]
Total Expenditures and Transfers Subject to Budget	<u>49,386</u>	<u>\$ 50,800</u>	<u>\$ 1,414</u>
Receipts Over [Under] Expenditures	-		
Unencumbered Cash, Beginning	-		
Unencumbered Cash, Ending	<u>\$ -</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF POMONA, KANSAS

FIRE PROTECTION FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Positive [Negative]
Cash Receipts			
Taxes	\$ 19,813	\$ 20,703	\$ [890]
Miscellaneous	36	-	36
Total Cash Receipts	<u>19,849</u>	<u>\$ 20,703</u>	<u>\$ [854]</u>
Expenditures and Transfers Subject to Budget			
Contractual	4,742	\$ 23,700	\$ 18,958
Debt service	12,600	-	[12,600]
Transfers out	6,000	-	[6,000]
Total Expenditures and Transfers Subject to Budget	<u>23,342</u>	<u>\$ 23,700</u>	<u>\$ 358</u>
Receipts Over [Under] Expenditures	[3,493]		
Unencumbered Cash, Beginning	<u>10,233</u>		
Unencumbered Cash, Ending	<u>\$ 6,740</u>		

The notes to the financial statements are an integral part of this statement.

STATEMENT 3 - 4

CITY OF POMONA, KANSAS

POMONA COMMUNITY LIBRARY FUND
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Positive [Negative]
Cash Receipts			
Taxes	\$ 11,867	\$ 12,599	\$ [732]
Total Cash Receipts	<u>11,867</u>	<u>\$ 12,599</u>	<u>\$ [732]</u>
Expenditures and Transfers Subject to Budget			
Appropriation	<u>11,406</u>	\$ 12,600	\$ 1,194
Total Expenditures and Transfers Subject to Budget	<u>11,406</u>	<u>\$ 12,600</u>	<u>\$ 1,194</u>
Receipts Over [Under] Expenditures	461		
Unencumbered Cash, Beginning	<u>429</u>		
Unencumbered Cash, Ending	<u>\$ 890</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF POMONA, KANSAS

SPECIAL HIGHWAY FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Positive [Negative]
Cash Receipts			
Intergovernmental	\$ 23,144	\$ 25,920	\$ [2,776]
Miscellaneous	173	-	173
Total Cash Receipts	<u>23,317</u>	<u>\$ 25,920</u>	<u>\$ [2,603]</u>
Expenditures and Transfers Subject to Budget			
Contractual	653	\$ 46,238	\$ 45,585
Miscellaneous	5,680	-	[5,680]
Transfers out	30,000	-	[30,000]
Total Expenditures and Transfers Subject to Budget	<u>36,333</u>	<u>\$ 46,238</u>	<u>\$ 9,905</u>
Receipts Over (Under) Expenditures	[13,016]		
Unencumbered Cash, Beginning	<u>73,171</u>		
Unencumbered Cash, Ending	<u>\$ 60,155</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF POMONA, KANSAS

SPECIAL PARKS AND RECREATION FUND
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Positive [Negative]
Cash Receipts			
Taxes	\$ 906	\$ 766	\$ 140
Miscellaneous	158	-	158
Total Cash Receipts	<u>1,064</u>	<u>\$ 766</u>	<u>\$ 298</u>
Expenditures and Transfers Subject to Budget			
Contractual	<u>12,626</u>	<u>\$ 13,925</u>	<u>\$ 1,299</u>
Total Expenditures and Transfers Subject to Budget	<u>12,626</u>	<u>\$ 13,925</u>	<u>\$ 1,299</u>
Receipts Over [Under] Expenditures	[11,562]		
Unencumbered Cash, Beginning	<u>11,998</u>		
Unencumbered Cash, Ending	<u>\$ 436</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF POMONA, KANSAS

CAPITAL IMPROVEMENTS FUND
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL*
For the Year Ended December 31, 2011

Cash Receipts	
Use of money and property	\$ 531
Transfer in	<u>52,000</u>
Total Cash Receipts	<u>52,531</u>
 Expenditures and Transfers Subject to Budget	
Capital outlay	<u>10,842</u>
Total Expenditures and Transfers Subject to Budget	<u>10,842</u>
 Receipts Over [Under] Expenditures	41,689
 Unencumbered Cash, Beginning	<u>355,370</u>
 Unencumbered Cash, Ending	<u>\$ 397,059</u>

* This fund is not required to be budgeted.

CITY OF POMONA, KANSAS

COMMUNITY BUILDING FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Positive [Negative]
Cash Receipts			
Intergovernmental	\$ 4,950	\$ 5,400	\$ [450]
Use of money and property	2,040	1,800	240
Miscellaneous	34	-	34
Total Cash Receipts	<u>7,024</u>	<u>\$ 7,200</u>	<u>\$ [176]</u>
Expenditures and Transfers Subject to Budget			
Contractual	5,994	\$ 19,735	\$ 13,741
Transfers out	<u>1,000</u>	<u>-</u>	<u>[1,000]</u>
Total Expenditures and Transfers Subject to Budget	<u>6,994</u>	<u>\$ 19,735</u>	<u>\$ 12,741</u>
Receipts Over [Under] Expenditures	30		
Unencumbered Cash, Beginning	<u>8,531</u>		
Unencumbered Cash, Ending	<u>\$ 8,561</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF POMONA, KANSAS

SALES TAX - STREET PROJECT FUND
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL*
For the Year Ended December 31, 2011

Cash Receipts	
Taxes	<u>\$ 35,286</u>
Total Cash Receipts	<u>35,286</u>
 Expenditures and Transfers Subject to Budget	
Capital outlay	<u>76,584</u>
Total Expenditures and Transfers Subject to Budget	<u>76,584</u>
 Receipts Over [Under] Expenditures	 [41,298]
 Unencumbered Cash, Beginning	 <u>130,996</u>
 Unencumbered Cash, Ending	 <u>\$ 89,698</u>

* This fund is not required to be budgeted.

The notes to the financial statements are an integral part of this statement.

CITY OF POMONA, KANSAS

ELECTRIC UTILITY FUND
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Positive [Negative]
Cash Receipts			
Charges to customers	\$ 825,957	\$ 805,000	\$ 20,957
Sales tax	31,521	40,000	[8,479]
Miscellaneous	<u>6,051</u>	<u>-</u>	<u>6,051</u>
Total Cash Receipts	<u>863,529</u>	<u>\$ 845,000</u>	<u>\$ 18,529</u>
Expenditures and Transfers Subject to Budget			
Personal services	150,248	\$ 174,000	\$ 23,752
Contractual	111,871	154,000	42,129
Commodities	480,280	500,000	19,720
Capital outlay	54,903	450,000	395,097
Debt service	7,411	7,100	[311]
Miscellaneous	<u>798</u>	<u>-</u>	<u>[798]</u>
Total Expenditures and Transfers Subject to Budget	<u>805,511</u>	<u>\$ 1,285,100</u>	<u>\$ 479,589</u>
Receipts Over [Under] Expenditures	58,018		
Unencumbered Cash, Beginning	<u>412,918</u>		
Unencumbered Cash, Ending	<u>\$ 470,936</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF POMONA, KANSAS

WATER UTILITY FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Positive [Negative]
Cash Receipts			
Charges to customers	\$ 180,110	\$ 176,525	\$ 3,585
Miscellaneous	5,220	-	5,220
Total Cash Receipts	<u>185,330</u>	<u>\$ 176,525</u>	<u>\$ 8,805</u>
Expenditures and Transfers Subject to Budget			
Personal services	32,413	\$ 38,500	\$ 6,087
Contractual	67,752	55,200	[12,552]
Commodities	70,875	97,000	26,125
Capital outlay	139	25,000	24,861
Debt service	1,268	1,300	32
Miscellaneous	555	-	[555]
Total Expenditures and Transfers Subject to Budget	<u>173,002</u>	<u>\$ 217,000</u>	<u>\$ 43,998</u>
Receipts Over [Under] Expenditures	12,328		
Unencumbered Cash, Beginning	<u>34,762</u>		
Unencumbered Cash, Ending	<u>\$ 47,090</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF POMONA, KANSAS

SEWER UTILITY FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Positive [Negative]
Cash Receipts			
Charges to customers	\$ 39,791	\$ 46,000	\$ [6,209]
Miscellaneous	<u>4,132</u>	<u>-</u>	<u>4,132</u>
Total Cash Receipts	<u>43,923</u>	<u>\$ 46,000</u>	<u>\$ [2,077]</u>
Expenditures and Transfers Subject to Budget			
Personal services	11,760	\$ 40,000	\$ 28,240
Contractual	21,170	41,900	20,730
Capital outlay	-	3,300	3,300
Debt service	-	500	500
Miscellaneous	4,847	-	[4,847]
Transfers out	<u>15,000</u>	<u>-</u>	<u>[15,000]</u>
Total Expenditures and Transfers Subject to Budget	<u>52,777</u>	<u>\$ 85,700</u>	<u>\$ 32,923</u>
Receipts Over [Under] Expenditures	[8,854]		
Unencumbered Cash, Beginning	<u>35,472</u>		
Unencumbered Cash, Ending	<u>\$ 26,618</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF POMONA, KANSAS

SEWER RESERVE FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Positive [Negative]
Cash Receipts			
Charges to customers	\$ 58,820	\$ 64,000	\$ [5,180]
Total Cash Receipts	<u>58,820</u>	<u>\$ 64,000</u>	<u>\$ [5,180]</u>
Expenditures and Transfers Subject to Budget			
Contractual	-	\$ 124,207	\$ 124,207
Debt service	50,404	50,404	-
Total Expenditures and Transfers Subject to Budget	<u>50,404</u>	<u>\$ 174,611</u>	<u>\$ 124,207</u>
Receipts Over [Under] Expenditures	8,416		
Unencumbered Cash, Beginning	<u>85,572</u>		
Unencumbered Cash, Ending	<u>\$ 93,988</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF POMONA, KANSAS

WATER CONSTRUCTION RESERVE FUND
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Positive [Negative]
Cash Receipts			
Charges to customers	\$ 49,164	\$ 55,000	\$ [5,836]
Total Cash Receipts	<u>49,164</u>	<u>\$ 55,000</u>	<u>\$ [5,836]</u>
Expenditures and Transfers Subject to Budget			
Contractual	-	\$ 70,900	\$ 70,900
Debt service	<u>48,000</u>	<u>48,000</u>	<u>-</u>
Total Expenditures and Transfers Subject to Budget	<u>48,000</u>	<u>\$ 118,900</u>	<u>\$ 70,900</u>
Receipts Over [Under] Expenditures	1,164		
Unencumbered Cash, Beginning	<u>62,419</u>		
Unencumbered Cash, Ending	<u>\$ 63,583</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF POMONA, KANSAS

ELECTRIC SAVINGS RESERVE FUND
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL*
For the Year Ended December 31, 2011

Cash Receipts	
Miscellaneous	\$ 735
Use of money and property	<u>56</u>
Total Cash Receipts	<u>791</u>
 Expenditures and Transfers Subject to Budget	
Capital outlay	<u>-</u>
Total Expenditures and Transfers Subject to Budget	<u>-</u>
 Receipts Over [Under] Expenditures	791
 Unencumbered Cash, Beginning	<u>36,685</u>
 Unencumbered Cash, Ending	<u>\$ 37,476</u>

* This fund is not required to be budgeted.

CITY OF POMONA, KANSAS

WATER SAVINGS RESERVE FUND
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL*
For the Year Ended December 31, 2011

Cash Receipts	
Interest income	\$ 71
Total Cash Receipts	<u>71</u>
Expenditures and Transfers Subject to Budget	
Water expenses	<u>-</u>
Total Expenditures and Transfers Subject to Budget	<u>-</u>
Receipts Over [Under] Expenditures	71
Unencumbered Cash, Beginning	<u>47,374</u>
Unencumbered Cash, Ending	<u>\$ 47,445</u>

* This fund is not required to be budgeted.

CITY OF POMONA, KANSAS

SEWER SAVINGS RESERVE FUND
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL*
For the Year Ended December 31, 2011

Cash Receipts	
Interest income	\$ 37
Total Cash Receipts	<u>37</u>
Expenditures and Transfers Subject to Budget	
Sewer	<u>-</u>
Total Expenditures and Transfers Subject to Budget	<u>-</u>
Receipts Over [Under] Expenditures	37
Unencumbered Cash, Beginning	<u>24,902</u>
Unencumbered Cash, Ending	<u>\$ 24,939</u>

* This fund is not required to be budgeted.

STATEMENT 4

CITY OF POMONA, KANSAS
AGENCY FUNDSSTATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
ACTUAL ONLY
For the year ended December 31, 2011

	Balance December 31, <u>2010</u>	Prior Period <u>Adjustment</u>	Restated Balance December 31, <u>2010</u>	<u>Receipts</u>	<u>Expenditures</u>	Balance December 31, <u>2011</u>
CDBG Rehabilitation Grant	\$ 107	\$ -	\$ 107	\$ -	\$ -	\$ 107
Total	<u>\$ 107</u>	<u>\$ -</u>	<u>\$ 107</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107</u>

CITY OF POMONA, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

NOTE 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The City of Pomona, Kansas, (the City) is a municipal corporation governed by a mayor and a five member council. These financial statements present the City and any component units – entities for which the City is considered to be financially accountable. The City has no component units.

Basis of Accounting

These financial statements are presented on a basis of accounting, which demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an interfund transaction, a cash disbursement is recorded in the fund from which the cash is transferred. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

Departure from Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation, which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented.

Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America. Capital assets that account for the land, buildings, and equipment owned by the City are not presented in the financial statements. Also, long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

The City has a waiver from accounting principles generally accepted in the United States of America, which allows the City to use the prescribed basis of accounting.

Fund Descriptions

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts, recording cash balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

CITY OF POMONA, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Fund Descriptions (Continued)

Governmental Fund Types

Governmental funds are those through which most governmental functions of the City are financed. The City's governmental fund types are:

General Fund - to account for all unrestricted cash except that required to be accounted for in another fund. This is the principal operating fund of the City.

Special Revenue Funds - are used to account for revenues derived from specific taxes, governmental grants or other revenue sources which are restricted to finance particular functions or activities of the City.

The Debt Service Funds are used to account for the accumulation of cash for, and the payment of, principal, interest and other related costs of the City's debt.

Proprietary Fund Types

The proprietary funds are used to account for the City's ongoing organizations and activities, which are similar to those often found in the private sector. The City's proprietary fund types are:

Enterprise Funds - to account for operations that are financed and operated in a manner similar to private business enterprise - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Fund Types

Agency Funds - to account for assets held by the City in a trustee capacity or as an agent for individuals, other governmental units, private organizations, and/or other funds. Agency funds are custodial in nature and do not involve measurement of operations.

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in the local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of the notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The 2011 budget was not amended.

CITY OF POMONA, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Budgetary Information (Continued)

The statutes permit management to transfer budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. In the financial statements, budget comparisons are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments by the City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital project funds and certain special revenue funds. Spending in funds which are not subject to the legal annual operating budget requirements is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

NOTE 2 - Deposits

The City's cash is considered to be active funds by management and is invested according to K.S.A. 9-1401. The statute requires that banks eligible to hold active funds have a main or branch bank in the county in which the City is located or an adjacent county and the banks provide an acceptable rate for active funds.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's deposit policy for custodial credit risk require that the depository banks will maintain 100% security in the form of FDIC coverage and pledged collateral according to K.S.A. 9-1402.

The City does not have any formal investment policies that would further limit concentration of credit risk, interest rate, or custodial credit risks beyond state statutes.

NOTE 3 - Retirement Plan

Plan description - The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to KPERS (611 South Kansas Avenue, Topeka, Kansas 66603) or by calling 1-888-275-5737.

Funding Policy - K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at up to 6% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve bases. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate was 7.74% from January 1 to December 31, 2011. The City employer contributions to KPERS for the years ending December 31, 2011, 2010, and 2009 were \$12,829, \$12,219, and \$11,334, respectively, equal to the required contributions for each year.

CITY OF POMONA, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE 4 - Long-Term Debt

During the year ended December 31, 2011, the following changes occurred in long term liabilities:

<u>Type of Issue</u>	<u>Beginning Principal Outstanding</u>	<u>Additions to Principal</u>	<u>Reductions of Principal</u>	<u>Ending Principal Outstanding</u>
Loans Payable	\$ 339,142	\$ -	\$ 39,070	\$ 300,072
General Obligation Bonds Payable	514,029	-	24,869	489,160
Capital Leases Payable	<u>46,455</u>	<u>-</u>	<u>22,278</u>	<u>24,177</u>
Total	<u>\$ 899,626</u>	<u>\$ -</u>	<u>\$ 86,217</u>	<u>\$ 813,409</u>

State Agency Loan. On November 30, 1999, the City entered into a loan agreement with the Kansas Department of Health and Environment to borrow up to \$735,458 to fund a sewer lagoon project. The interest rate on the loan is 3.44% with an additional .25% service fee rate. The annual debt service requirements to maturity for the loans payable are as follows:

<u>Year Ending December 31,</u>	<u>KDHE Loan</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 40,426	\$ 9,253
2013	41,829	7,952
2014	43,280	6,606
2015	44,782	5,214
2016	46,335	3,773
2017-2018	<u>83,420</u>	<u>3,021</u>
	<u>\$ 300,072</u>	<u>\$ 35,819</u>

General Obligation Bonds. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for the proprietary funds if they are expected to be repaid from proprietary fund revenues.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued with equal amounts of principal maturing each year.

General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Current Balance</u>
Water Distribution					
Improvement Bonds	October 1, 2004	October 1, 2044	4.63%	<u>\$ 642,300</u>	<u>\$ 489,160</u>

CITY OF POMONA, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

NOTE 4 - Long-Term Debt (Continued)

The annual debt service requirements to maturity for the general obligation bonds are as follows:

Year Ending December 31,	Principal	Interest
2012	\$ 8,167	\$ 22,780
2013	8,534	22,412
2014	8,918	22,028
2015	9,320	21,627
2016	9,739	21,207
2017-2021	55,676	99,055
2022-2026	69,383	85,349
2027-2031	86,464	68,268
2032-2036	107,749	46,979
2037-2041	125,210	21,717
	<u>\$ 489,160</u>	<u>\$ 431,421</u>

Capital Leases. The City has entered into the following lease agreements for financing the acquisition of property:

Description	Issued	Final Maturity	Interest Rate	Original Amount	Balance December 31, 2011
City Hall and Community Building	2/15/1992	12/1/2012	4.25%	\$ 150,000	\$ 15,000
2010 Polaris Ranger	7/16/2010	7/17/2012	5.50%	23,669	9,177
Total					<u>\$ 24,177</u>

The annual lease payment requirements to maturity for the capital leases payable is as follows:

Year Ending December 31,	Principal	Interest
2012	\$ 24,177	\$ 895
	<u>\$ 24,177</u>	<u>\$ 895</u>

NOTE 5 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for these risks of loss, including related lost revenue. No significant reductions in insurance coverage from that of the prior year have occurred. Settlements have not exceeded insurance coverage for each of the last three years.

CITY OF POMONA, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE 6 - Interfund Transfers

A reconciliation of transfers by fund type for 2011 follows:

Fund	From	To
Special Highway	\$ 30,000	\$ -
Sewer Utility	15,000	-
Community Building	1,000	-
Fire Protection	6,000	-
Capital Improvements	-	52,000
Total	<u>\$ 52,000</u>	<u>\$ 52,000</u>

NOTE 7 - Compensated Absences

It is the City's policy to grant employees annual vacation and sick leave in varying amounts depending on length of service. Annual vacation leave is accumulated at the rate of one half day per month for year one; 1 day per month for years 2 through 5; 1.25 days per month for years 6 through 10; and 1.5 days per month for each year after 10. Vacation days can accumulate up to 30 days. Employees can earn 1 day of sick leave per month accumulating to 180 days. The liability for compensated absences at December 31, 2011, was \$39,217.

Under City policy, a maximum of 10 days of vacation leave can be sold back to the City by the employee's anniversary date. The cost of this policy for 2011 was \$6,676